

# Arvind Fashions

|                 |   |
|-----------------|---|
| Estimate change | ↓ |
| TP change       | ↔ |
| Rating change   | ↔ |

|                       |             |
|-----------------------|-------------|
| Bloomberg             | ARVINDFA IN |
| Equity Shares (m)     | 134         |
| M.Cap.(INRb)/(USD\$b) | 60.9 / 0.7  |
| 52-Week Range (INR)   | 579 / 320   |
| 1, 6, 12 Rel. Per (%) | -9/-18/-15  |
| 12M Avg Val (INR M)   | 179         |

## Financials & Valuations Consol (INR b)

| Y/E March         | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|
| Sales             | 52.4  | 59.4  | 66.1  |
| EBITDA            | 6.9   | 8.3   | 9.5   |
| Adj. PAT          | 1.0   | 1.9   | 2.4   |
| EBITDA Margin (%) | 13.1  | 14.1  | 14.4  |
| Adj. EPS (INR)    | 7.6   | 13.9  | 17.9  |
| EPS Gr. (%)       | NM    | 83.3  | 29.0  |
| BV/Sh. (INR)      | 95.0  | 104.0 | 117.9 |
| <b>Ratios</b>     |       |       |       |
| Net D:E           | 0.1   | 0.0   | -0.2  |
| RoE (%)           | 8.3   | 14.0  | 16.2  |
| RoCE (%)          | 21.0  | 29.3  | 32.2  |
| <b>Valuations</b> | 59.2  | 32.3  | 25.0  |
| P/E (x)           | 8.9   | 7.1   | 6.0   |
| EV/EBITDA (x)     | 1.2   | 1.0   | 0.9   |
| EV/Sales (X)      | 0.5   | 0.9   | 1.2   |
| Div. Yield (%)    | 52.4  | 59.4  | 66.1  |

## Shareholding pattern (%)

| As On    | Dec-25 | Sep-25 | Dec-24 |
|----------|--------|--------|--------|
| Promoter | 35.1   | 35.1   | 35.2   |
| DII      | 23.2   | 22.8   | 21.8   |
| FII      | 12.1   | 12.0   | 10.0   |
| Others   | 29.6   | 30.1   | 33.0   |

FII Includes depository receipts

**CMP: INR455 TP: INR700 (+54%) Buy**

## Earnings quality improves as USPA scales

- Arvind Fashions (AFL) delivered another strong quarter with revenue growth of 15%, beating estimates by 3%, led by a healthy SSSG of 8.2%. USPA was the key driver, delivering ~25% growth on the back of product elevation, premiumization, and improved retail execution.
- EBITDA margins expanded ~40bp, supported by a better product mix and controlled discounting, partly offset by elevated employee costs.
- Performance in 9MFY26 has been robust, with revenue and EBITDA growing 14% and 16%, respectively, while attributable PAT rose 28% YoY to INR764m, reflecting operating leverage and improving earnings quality.
- We revise our FY25–28E estimates to factor in this momentum, leading 1-2% cut in Pre-IND AS EBITDA. We build in a 12% revenue CAGR and ~230bp pre-Ind AS EBITDA margin expansion, translating into a 23% CAGR.
- Historically, AFL has traded at a valuation discount due to profit concentration in PVH, a 50:50 JV. With fully owned USPA now emerging as the key profitability driver, the case for multiple expansion strengthens.
- AFL currently trades at an undemanding ~32x FY27E attributable PAT (vs ~40x for ABLBL), despite superior profitability. **We reiterate our BUY rating with a revised SOTP-based TP of INR700.**

## Strong momentum continues

**AFL reported revenue growth of 15% YoY (3% beat) to INR13.8b in 3QFY26, reflecting consistent traction across channels.**

- Retail channel led the performance, with SSSG of 8.2% and revenue growth of 12% YoY, driven by continued investments in brand building and store productivity.
- The company added 24 net new stores (43 gross additions), taking the total EBO count to 1,022 and 1.3m sq.ft (up 14% YoY).
- Online B2C sales further accelerated ~50% YoY to INR2.3b, now accounting for ~17% of total revenue, underscoring the success of AFL's digital-first strategy.
- Online B2B, however, declined 10% YoY.
- Wholesale and B2B channels delivered a strong growth of 19% YoY.
- Margin expansion driven by channel and pricing mix:
  - A richer mix from own channels (retail and online) and disciplined discounting led to a 50bp YoY expansion in gross margin to 55.4% (~10bp below est).
  - EBITDA grew 18% YoY to INR1.9b (in line with est.), with margins of 14.2% (up 40bp).
  - Depreciation/finance costs grew 15%/8% YoY.
  - Other income was down 32% at INR59m.
- Sharp profit recovery:
  - AFL has booked a one-time exceptional item of INR290, owing to the implementation of labor codes.
  - Adj for this, PAT stood at INR654m, up 37% YoY. Reported PAT stood at INR364m, down 22% YoY.

- PAT attributable to owners stood at INR258m, down 3% YoY.
- PVH Arvind JV contributed INR105m in minority interest, down 47% YoY.
- WC and inventory:
  - WC built up to 99 days (vs. 89 days YoY) due to early inwards of merchandise. NWC was, however, largely flat at 63 days (vs. 59 days).

### 9MFY26 results: Healthy ~16% EBITDA growth

- Revenue at INR39b grew 14% YoY, led by strong performance in Retail (up 14% YoY) and Online B2C (up 50% YoY).
- GM expanded 110bp to 54.5% on better discounting and richer product mix.
- EBITDA margin expanded 30bp to 13.2%, as high A&P spends were partly offset by GM expansion. EBITDA at INR5.1b grew 16% YoY.
- PBT grew 32% YoY to INR2.1b.
- Adj PAT stood at INR1.5b, up 38% YoY. Profit grew 28% to INR764m, while minority interest declined 13% YoY to INR417m.

### Highlights from the management commentary

- **Demand** remained stable, supported by ~8.2% retail LTL growth (USPA: ~11%, FM: ~17%) and sustained double-digit secondary growth in wholesale. Revenue grew ~15% YoY, the strongest in several years, driven by healthy retail throughput, expanding direct channels, and a steady wholesale contribution despite an uneven discretionary backdrop.
- **USPA** delivered ~25% growth, driven by product elevation and premiumization, stronger retail execution, and rapid digital scaling. Retail grew ~23% with ~11% LTL, supported by targeted store expansion and closure of underperforming locations. Online B2C grew >80%, expanding reach and reinforcing momentum across both mainline and adjacency categories.
- **Outlook:** Operating leverage from high LTL growth, improving gross margins, and stable fixed costs is expected to drive EBITDA growth ahead of revenue. The company remains on track to deliver 12–15% growth, supported by retail expansion, DTC scaling, and adjacencies, underpinning medium-term earnings visibility.

### Valuation and view

- AFL has now evolved into a lifestyle category, with ~15% of its revenue coming from adjacent categories.
- Its shift to a consignment-led model improved pricing control and margins, with an asset-light structure driving faster scale-up, strong cash generation (FCFF of INR7.5b over FY26-28E), and RoCE expansion to 29% by FY28E.
- We revise our FY25–28E estimates to factor in this momentum, building in a 12% revenue CAGR and ~230bp pre-Ind AS EBITDA margin expansion, translating into a 23% profit CAGR.
- Historically, AFL has traded at a valuation discount due to profit concentration in PVH, a 50:50 JV. With fully owned USPA now emerging as the key profitability driver, the case for multiple expansion strengthens.
- AFL currently trades at an undemanding ~32x FY27E attributable PAT vs ~40x for ABLBL, despite superior profitability. **We reiterate our BUY rating with a revised SOTP-based TP of INR700.**

**Quarterly performance (INR m)**

| Y/E March                    | FY25         |               |               |               | FY26E         |               |               |               | FY25          | FY26E         | FY26<br>23E   | Est.<br>Var (%) |
|------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
|                              | 1Q           | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               |               |                 |
| <b>Revenue</b>               | <b>9,548</b> | <b>12,732</b> | <b>12,028</b> | <b>11,891</b> | <b>11,073</b> | <b>14,175</b> | <b>13,766</b> | <b>13,399</b> | <b>46,198</b> | <b>52,413</b> | <b>13,388</b> | <b>3</b>        |
| YoY Change (%)               | 10.2         | 8.5           | 6.9           | 8.7           | 16.0          | 11.3          | 14.5          | 12.7          | 8.5           | 13.5          |               |                 |
| Total Expenditure            | 8,393        | 11,109        | 10,373        | 10,304        | 9,740         | 12,302        | 11,818        | 11,687        | 40,178        | 45,546        | 11,498        | 3               |
| <b>EBITDA</b>                | <b>1,155</b> | <b>1,623</b>  | <b>1,655</b>  | <b>1,587</b>  | <b>1,334</b>  | <b>1,873</b>  | <b>1,948</b>  | <b>1,713</b>  | <b>6,020</b>  | <b>6,868</b>  | <b>1,890</b>  | <b>3</b>        |
| EBITDA Margin (%)            | 12.1         | 12.7          | 13.8          | 13.3          | 12.0          | 13.2          | 14.2          | 12.8          | 13.0          | 13.1          | 14.1          |                 |
| Depreciation                 | 613          | 643           | 654           | 648           | 685           | 713           | 748           | 739           | 2,557         | 2,885         | 669           | 12              |
| Interest                     | 381          | 386           | 403           | 388           | 406           | 416           | 434           | 427           | 1,558         | 1,682         | 428           | 1               |
| Other Income                 | 75           | 72            | 87            | 113           | 146           | 130           | 59            | 63            | 346           | 398           | 132           | -55             |
| <b>PBT before EO expense</b> | <b>236</b>   | <b>666</b>    | <b>686</b>    | <b>664</b>    | <b>388</b>    | <b>874</b>    | <b>825</b>    | <b>610</b>    | <b>2,251</b>  | <b>2,698</b>  | <b>925</b>    | <b>-11</b>      |
| <b>PBT</b>                   | <b>236</b>   | <b>666</b>    | <b>686</b>    | <b>664</b>    | <b>388</b>    | <b>874</b>    | <b>825</b>    | <b>610</b>    | <b>2,251</b>  | <b>2,698</b>  | <b>925</b>    | <b>-11</b>      |
| Tax                          | 98           | 215           | 209           | 1,385         | 137           | 308           | 172           | 154           | 860           | 770           | 233           |                 |
| Rate (%)                     | 41.6         | 32.2          | 30.5          | 208.8         | 35.3          | 35.2          | 20.8          | 25.2          | 38.2          | 28.6          | 25.2          |                 |
| <b>Reported PAT</b>          | <b>138</b>   | <b>451</b>    | <b>476</b>    | <b>-722</b>   | <b>251</b>    | <b>566</b>    | <b>364</b>    | <b>456</b>    | <b>344</b>    | <b>1,638</b>  | <b>692</b>    | <b>-47</b>      |
| <b>Attributable PAT</b>      | <b>12</b>    | <b>297</b>    | <b>278</b>    | <b>-928</b>   | <b>128</b>    | <b>377</b>    | <b>258</b>    | <b>247</b>    | <b>-356</b>   | <b>1,011</b>  | <b>475</b>    | <b>-46</b>      |
| YoY Change (%)               | -107.1       | 16.4          | 70.9          | -473.6        | 994.0         | 26.9          | -7.0          | -126.6        | NA            | NA            | 84.0          |                 |

**Exhibit 1: SoTP-based TP of INR700**

| Valuation                           | FY25-27 CAGR |            |            | FY25         | FY26         | FY27         | FY28         | EV/<br>EBITDA | FY28E<br>EV   |
|-------------------------------------|--------------|------------|------------|--------------|--------------|--------------|--------------|---------------|---------------|
|                                     | Ownership    | Revenue    | EBITDA     |              |              |              |              |               |               |
| <b>Revenues</b>                     |              |            |            |              |              |              |              |               |               |
| Standalone (arrow Wholesale)        | 100          | 12%        | 94%        | 341          | 145          | 285          | 546          | 11            | 6,191         |
| Lifestyle (USPA+Arrow)              | 100          | 13%        | 19%        | 1,277        | 2,010        | 2,455        | 2,859        | 20            | 58,472        |
| Flying Machine                      | 100          | 9%         | NA         | 2            | (225)        | 74           | 133          | 12            | 1,666         |
| PVH (Tommy+CK)                      | 50           | 12%        | 21%        | 2,122        | 1,988        | 2,520        | 2,792        | 17            | 23,951        |
| <b>CONSOL</b>                       |              | <b>13%</b> | <b>23%</b> | <b>3,672</b> | <b>4,128</b> | <b>5,838</b> | <b>6,762</b> |               | <b>90,280</b> |
| Net Debt                            |              |            |            |              |              |              |              |               | -2,935        |
| <b>Equity Value</b>                 |              |            |            |              |              |              |              |               | <b>93,215</b> |
| Per Share                           |              |            |            |              |              |              |              |               | 700           |
| <b>Implied P/E (after minority)</b> |              |            |            |              |              |              |              |               | <b>41.3</b>   |

Source: MOFSL, Company

**Exhibit 2: Valuation post adjusting PVH's stake**

| Valuation                   | FY25          | FY26        | FY27        | FY28        |
|-----------------------------|---------------|-------------|-------------|-------------|
| EBITDA                      | 4,857         | 5,727       | 6,963       | 8,007       |
| Pre-IND AS EBITDA           | 1,961         | 2,680       | 2,924       | 4,073       |
| PAT                         | -356          | 1,011       | 1,853       | 2,390       |
| EV/EBITDA                   | 14.4          | 12.5        | 10.4        | 9.0         |
| Pre-IND AS EV/EBITDA        | 31.9          | 23.0        | 20.5        | 14.1        |
| <b>P/E (after minority)</b> | <b>-169.3</b> | <b>59.6</b> | <b>32.5</b> | <b>25.2</b> |

Source: MOFSL, Company

### USPA inflection: Profit growth comes into focus

- Based on our understanding, the company is in the process of transitioning Arrow's retail business into a standalone entity, whereas the retail operations were historically housed under Arvind Lifestyle. This structural change explains the weak reported performance of the standalone entity, where 9MFY26 revenue grew by modest 3% YoY due to the cessation of sales to Lifestyle, while **PAT losses (excluding dividend income) widened to INR474m vs profit of INR49m YoY.**
- Importantly, these are not incremental operating losses. Losses that were earlier absorbed within Lifestyle are now visible in the standalone entity due to the reorganization. Correspondingly, **Lifestyle's estimated PAT improved materially to ~INR996m in 9MFY26 vs ~INR182m YoY.**
- To avoid distortion from the restructuring, we evaluate the performance on a combined basis (Standalone ex-dividend + Lifestyle). On this basis, **PAT increased from INR117m in 9MFY25 to INR637m in 9MFY26**, indicating a genuine improvement in underlying profitability, likely driven by USPA.
- This is further supported by minority interest trends (FM + PVH), which have remained broadly flat to marginally down, while standalone losses have ballooned. Meanwhile, **PAT after minority interest increased 75% YoY to INR 548** (incl of one-off INR290mn due to labour code). This divergence proves that USPA was the key earnings driver during 9MFY26.
- **At an estimated 9MFY26 PAT of ~INR996m for USPA (Lifestyle)**, this implies high-teens earnings growth and meaningful margin expansion.
- Current Bloomberg consensus factors in only ~80bp of margin expansion over FY25–28E vs our estimate of ~140bp, which does not fully reflect the strength in USPA (or implicitly assumes a sharp deterioration in PVH). We, therefore, see an upside risk to Street expectations as USPA's performance becomes more visible.

Exhibit 3: Calculated performance of Lifestyle (USPA)

| (INR mn)                     | 3Q24      | 4Q24      | 1Q25         | 2Q25       | 3Q25      | 4Q25           | 1Q26     | 2Q26       | 3Q26       | 9M FY25    | 9M FY26    |
|------------------------------|-----------|-----------|--------------|------------|-----------|----------------|----------|------------|------------|------------|------------|
| Consol PAT                   | 301       | 402       | 138          | 451        | 488       | (722)          | 251      | 566        | 364        | 1,077      | 1,181      |
| Stand (ex-dividend)          | (67)      | (89)      | (79)         | 74         | (58)      | (202)          | (263)    | (187)      | (141)      | (63)       | (590)      |
| PVH + FM (Minority Interest) | 139       | 154       | 126          | 154        | 199       | 207            | 123      | 189        | 220        | 479        | 532        |
| Attributable PAT             | 163       | 249       | 12           | 297        | 289       | (928)          | 128      | 377        | 548        | 598        | 1,054      |
| Lifestyle (Calc)             | 91        | 184       | (35)         | 68         | 149       | (933)          | 268      | 375        | 433        | 182        | 996        |
| <b>Arrow+ USPA (Calc)</b>    | <b>24</b> | <b>95</b> | <b>(114)</b> | <b>143</b> | <b>91</b> | <b>(1,135)</b> | <b>5</b> | <b>188</b> | <b>443</b> | <b>119</b> | <b>637</b> |

Source: Company, MOFSL

**Exhibit 4: Quarterly performance (INR m)**

| Consolidated Quarterly   | 3QFY25        | 2QFY26        | 3QFY26        | YoY%        | QoQ%         | 3QFY26E       | v/s est (%)  | 9MFY25        | 9MFY26        | YoY%        |
|--------------------------|---------------|---------------|---------------|-------------|--------------|---------------|--------------|---------------|---------------|-------------|
| <b>Revenue</b>           | <b>12,028</b> | <b>14,175</b> | <b>13,766</b> | <b>14.5</b> | <b>-2.9</b>  | <b>13,388</b> | <b>2.8</b>   | <b>34,308</b> | <b>39,014</b> | <b>13.7</b> |
| Raw Material cost        | 5,418         | 6,734         | 6,134         | 13.2        | -8.9         | 5,951         | 3.1          | 16,011        | 17,757        | 10.9        |
| Gross Profit             | 6,609         | 7,441         | 7,632         | 15.5        | 2.6          | 7,437         | 2.6          | 18,297        | 21,257        | 16.2        |
| Gross Margin (%)         | 55.0          | 52.5          | 55.4          | 49bps       | 295bps       | 55.6          | -11bps       | 53.3          | 54.5          | 116bps      |
| Employee Costs           | 665           | 856           | 819           | 23.3        | -4.3         | 820           | -0.1         | 1,992         | 2,397         | 20.3        |
| Other Expenses           | 4,290         | 4,712         | 4,865         | 13.4        | 3.2          | 4,727         | 2.9          | 11,871        | 13,705        | 15.5        |
| <b>Total Expenses</b>    | <b>4,954</b>  | <b>5,568</b>  | <b>5,684</b>  | <b>14.7</b> | <b>2.1</b>   | <b>5,547</b>  | <b>2.5</b>   | <b>13,863</b> | <b>16,102</b> | <b>16.2</b> |
| <b>EBITDA</b>            | <b>1,655</b>  | <b>1,873</b>  | <b>1,948</b>  | <b>17.7</b> | <b>4.0</b>   | <b>1,890</b>  | <b>3.1</b>   | <b>4,433</b>  | <b>5,155</b>  | <b>16.3</b> |
| Margin (%)               | 13.8          | 13.2          | 14.2          | 39bps       | 94bps        | 14.1          | 4bps         | 12.9          | 13.2          | 29bps       |
| Depreciation             | 654           | 713           | 748           | 14.5        | 5.0          | 669           | 11.8         | 1,909         | 2,146         | 12.4        |
| EBIT                     | 1,002         | 1,160         | 1,200         | 19.8        | 3.4          | 1,221         | -1.7         | 2,524         | 3,009         | 19.2        |
| EBIT margin (%)          | 8.3           | 8.2           | 8.7           | 39bps       | 53bps        | 9.1           | -40bps       | 7.4           | 7.7           | 35bps       |
| Finance Costs            | 403           | 416           | 434           | 7.7         | 4.2          | 428           | 1.3          | 1,170         | 1,255         | 7.3         |
| Other income             | 87            | 130           | 59            | -32.1       | -54.7        | 132           | -55.3        | 233           | 335           | 43.5        |
| Exceptional item         | -11           |               | -290          |             |              |               |              | -11           | -290          |             |
| <b>Profit before Tax</b> | <b>686</b>    | <b>874</b>    | <b>825</b>    | <b>20.4</b> | <b>-5.6</b>  | <b>925</b>    | <b>-10.7</b> | <b>1,588</b>  | <b>2,088</b>  | <b>31.5</b> |
| Tax                      | 209           | 308           | 172           | -18.0       | -44.3        | 233           | -26.4        | 522           | 617           | 18.2        |
| Tax rate (%)             | 30.5          | 35.2          | 20.8          | -973bps     | -1447bps     | 25.2          | -442bps      | 32.9          | 29.5          | -333bps     |
| <b>Adj PAT</b>           | <b>477</b>    | <b>566</b>    | <b>654</b>    | <b>37.2</b> | <b>15.5</b>  | <b>692</b>    | <b>-5.5</b>  | <b>1,066</b>  | <b>1,471</b>  | <b>38.1</b> |
| Adj PAT margin (%)       | 4.0           | 4.0           | 4.8           | 79bps       | 76bps        | 5.2           | -42bps       | 3.1           | 3.8           | 66bps       |
| <b>Attributable PAT</b>  | <b>267</b>    | <b>377</b>    | <b>258</b>    | <b>-3.1</b> | <b>-31.5</b> | <b>475</b>    | <b>-45.6</b> | <b>575</b>    | <b>764</b>    | <b>32.7</b> |
| Adj PAT margin (%)       | 2.2           | 2.7           | 1.9           | -34bps      | -78bps       | 3.5           | -167bps      | 1.7           | 2.0           | 28bps       |

| Channel Mix | 3QFY25 | 2QFY26 | 3QFY26 | YoY%  | QoQ%  | 9MFY25 | 9MFY26 | YoY% |
|-------------|--------|--------|--------|-------|-------|--------|--------|------|
| Retail      | 5,653  | 5,387  | 6,332  | 12.0  | 17.6  | 14,565 | 16,591 | 13.9 |
| Wholesale   | 3,127  | 4,253  | 3,717  | 18.9  | -12.6 | 9,620  | 10,516 | 9.3  |
| Online B2B  | 1,684  | 2,835  | 1,514  | -10.1 | -46.6 | 6,299  | 6,342  | 0.7  |
| Online B2C  | 1,564  | 1,701  | 2,340  | 49.7  | 37.6  | 3,823  | 5,702  | 49.1 |

**Exhibit 5: Our estimate change summary**

|                           | FY26E  | FY27E  | FY28E  |
|---------------------------|--------|--------|--------|
| <b>Revenue (INR m)</b>    |        |        |        |
| Old                       | 51,550 | 59,128 | 65,842 |
| Actual/New                | 52,413 | 59,391 | 66,140 |
| Change (%)                | 0%     | 0%     | 0%     |
| <b>EBITDA (INR m)</b>     |        |        |        |
| Old                       | 6,857  | 8,666  | 9,780  |
| Actual/New                | 6,868  | 8,345  | 9,537  |
| Change (%)                | 0.2%   | -3.7%  | -2.5%  |
| <b>EBITDA margin (%)</b>  |        |        |        |
| Old                       | 13.3%  | 14.7%  | 14.9%  |
| Actual/New                | 13.1%  | 14.1%  | 14.4%  |
| Change (bp)               | -19.8  | -60.5  | -43.5  |
| <b>Net Profit (INR m)</b> |        |        |        |
| Old                       | 1,337  | 2,160  | 2,794  |
| Actual/New                | 1,301  | 2,093  | 2,700  |
| Change (%)                | -2.7%  | -3.1%  | -3.3%  |
| <b>EPS (INR)</b>          |        |        |        |
| Old                       | 10.0   | 16.2   | 21.0   |
| Actual/New                | 9.8    | 15.7   | 20.3   |
| Change (%)                | -2.7%  | -3.1%  | -3.3%  |

Source: MOFSL, Company

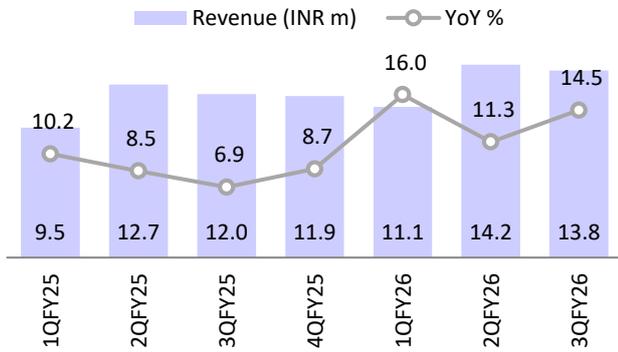


## Detailed takeaways from the management interaction

- **Demand** remained stable, supported by ~8.2% retail LTL growth (USPA: ~11%, FM: ~17%) and sustained double-digit secondary growth in wholesale. Revenue grew ~15% YoY, the strongest in several years, driven by healthy retail throughput, expanding direct channels, and a steady wholesale contribution despite an uneven discretionary backdrop.
- **Online B2C** grew ~50% YoY, increasing direct channel contribution to ~63% of sales. The mix shift supports closer consumer engagement, improved pricing control, and stronger margin discipline, with DTC targeted to reach ~75% of sales over time.
- **Adjacency categories** grew ~23% YoY and now contribute ~25% of the portfolio, led by footwear and innerwear (>20% growth each) and strong early traction in womenswear (~50% growth on a low base).
- **USPA** delivered ~25% growth, driven by product elevation and premiumization, stronger retail execution, and rapid digital scaling. Retail grew ~23% with ~11% LTL, supported by targeted store expansion and closure of underperforming locations. Online B2C grew >80%, expanding reach and reinforcing momentum across both mainline and adjacency categories.
- **Flying Machine** showed early recovery with ~17% LTL growth in retail, ~40% online B2C growth, and ~35% growth in department stores, reflecting an improving product-market fit. Near-term profitability was impacted by a business model transition involving inventory take-back and sales reversals. Mainstream traction is expected over the next 2–3 seasons, supported by Gen-Z positioning and digital-first distribution.
- **Arrow** delivered steady growth, constrained by higher formalwear exposure and limited participation in wedding-led demand. Recent supply disruptions from Bangladesh delayed key inventory, though normalization post-November has supported recovery. EBITDA is targeted to reach mid-single digits over the next year as execution stabilizes.
- **PVH** was impacted by supply-chain disruptions and a GST rate hike from 12% to 18%, leading to temporary price-led demand softness in Oct–Nov. Volumes stabilized from mid-November as consumers adjusted to revised pricing.
- **Inventory quality** improved, with management indicating that stock aged over two years has been at its lowest level in the past three to four years. Higher quarter-end inventory reflects precautionary pre-buying to mitigate Bangladesh supply risk and is expected to normalize, with inventory turns reverting to ~3.8–4x.
- **EBITDA margin** expanded ~40bp YoY, driven by gross margin expansion from a favorable channel mix, sourcing efficiencies, and tighter discount control. Premiumization supported higher full-price sell-through. Employee costs increased due to ESOP charges and higher hiring in data, AI, and consumer intelligence.
- **Outlook:** Operating leverage from high LTL growth, expanding gross margins, and stable fixed costs is expected to drive EBITDA growth ahead of revenue. The company remains on track to deliver 12–15% growth, supported by retail expansion, DTC scaling, and adjacencies, underpinning medium-term earnings visibility.

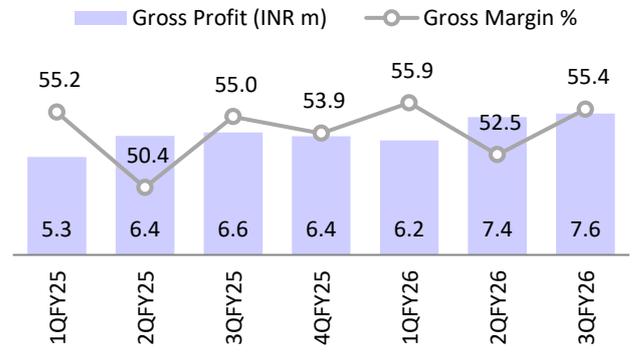
## Story in charts

**Exhibit 6: Revenue grew by robust 15% YoY**



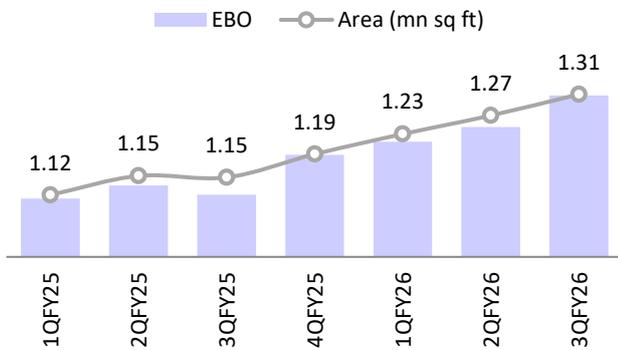
Source: MOFSL, Company

**Exhibit 7: GM continues to expand**



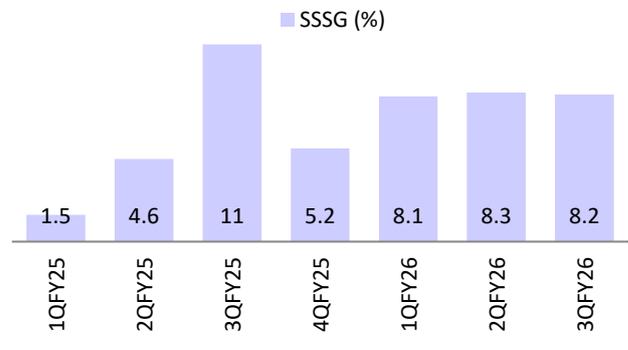
Source: MOFSL, Company

**Exhibit 8: Net additions of 40k sq ft in 3Q**



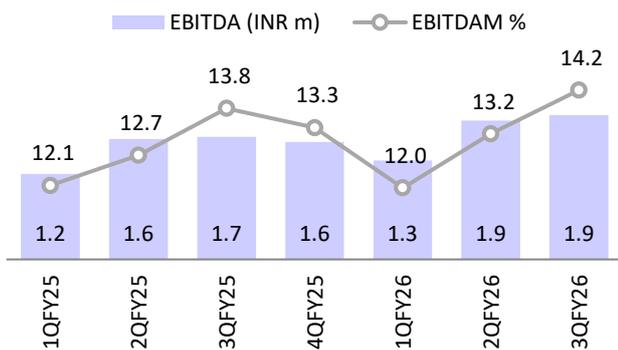
Source: MOFSL, Company

**Exhibit 9: Strong SSSG momentum**



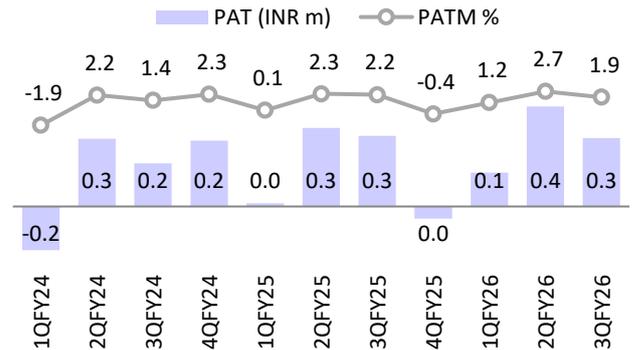
Source: MOFSL, Company

**Exhibit 10: EBITDA grew 18% on the back of strong margins**



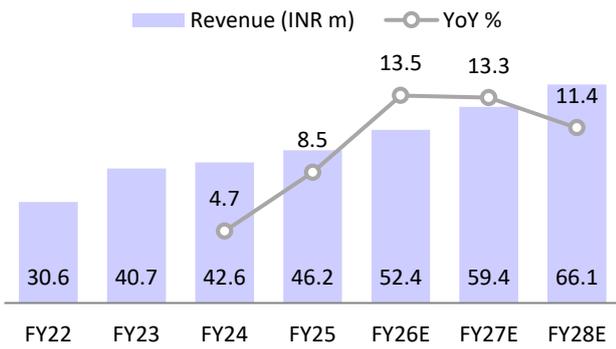
Source: MOFSL, Company

**Exhibit 11: Attributable PAT affected by a one-off labor code impact**



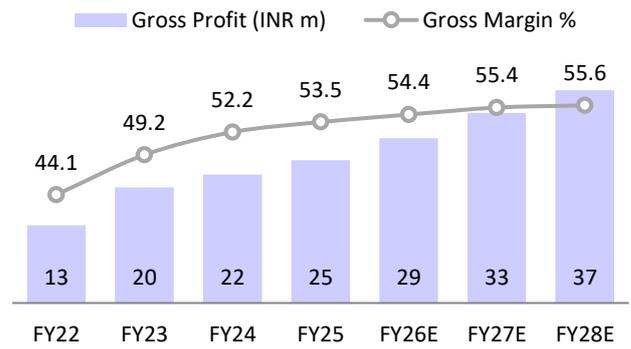
Source: MOFSL, Company

**Exhibit 12: Expect revenue CAGR of ~13% over FY25-28**



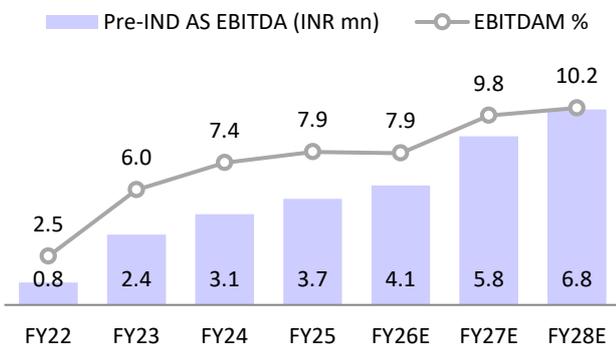
Source: MOFSL, Company

**Exhibit 13: GM to expand ~220bp over FY25-28**



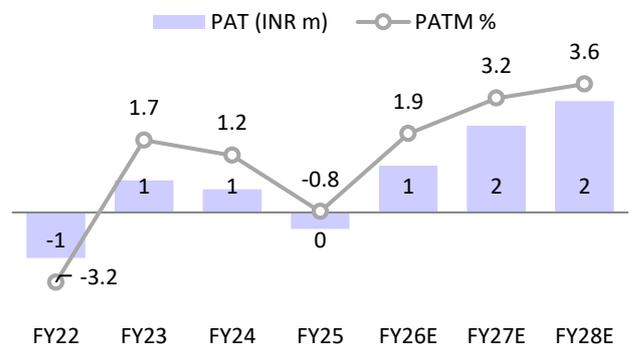
Source: MOFSL, Company

**Exhibit 14: EBITDA to post a 23% CAGR**



Source: MOFSL, Company

**Exhibit 15: Strong profitability ahead**



Source: MOFSL, Company

## Financials and valuations

### Consolidated - Income Statement

| Y/E March                           | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | FY28E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>19,119</b> | <b>30,560</b> | <b>40,695</b> | <b>42,591</b> | <b>46,198</b> | <b>52,413</b> | <b>59,391</b> | <b>66,140</b> |
| Change (%)                          | -47.1         | 59.8          | 33.2          | 4.7           | 8.5           | 13.5          | 13.3          | 11.4          |
| Raw Materials                       | 11,182        | 17,098        | 20,667        | 20,371        | 21,495        | 23,876        | 26,517        | 29,342        |
| <b>Gross Profit</b>                 | <b>7,937</b>  | <b>13,462</b> | <b>20,028</b> | <b>22,220</b> | <b>24,703</b> | <b>28,537</b> | <b>32,874</b> | <b>36,798</b> |
| Gross Margin (%)                    | 41.5          | 44.1          | 49.2          | 52.2          | 53.5          | 54.4          | 55.4          | 55.6          |
| Employees Cost                      | 2,047         | 2,368         | 2,440         | 2,601         | 2,687         | 3,145         | 3,563         | 3,968         |
| Other Expenses                      | 5,906         | 9,293         | 13,358        | 14,514        | 15,997        | 18,525        | 20,966        | 23,292        |
| <b>Total Expenditure</b>            | <b>19,135</b> | <b>28,759</b> | <b>36,465</b> | <b>37,486</b> | <b>40,178</b> | <b>45,546</b> | <b>51,046</b> | <b>56,603</b> |
| % of Sales                          | 100.1         | 94.1          | 89.6          | 88.0          | 87.0          | 86.9          | 85.9          | 85.6          |
| <b>EBITDA</b>                       | <b>-16</b>    | <b>1,802</b>  | <b>4,230</b>  | <b>5,105</b>  | <b>6,020</b>  | <b>6,868</b>  | <b>8,345</b>  | <b>9,537</b>  |
| Margin (%)                          | -0.1          | 5.9           | 10.4          | 12.0          | 13.0          | 13.1          | 14.1          | 14.4          |
| <b>Pre-IND AS EBITDA</b>            | <b>-611</b>   | <b>773</b>    | <b>2,430</b>  | <b>3,143</b>  | <b>3,672</b>  | <b>4,128</b>  | <b>5,838</b>  | <b>6,762</b>  |
| Margin (%)                          | -3.2          | 2.5           | 6.0           | 7.4           | 7.9           | 7.9           | 9.8           | 10.2          |
| Depreciation                        | 2,378         | 2,330         | 2,031         | 2,301         | 2,557         | 2,885         | 3,151         | 3,499         |
| <b>EBIT</b>                         | <b>-2,394</b> | <b>-528</b>   | <b>2,199</b>  | <b>2,805</b>  | <b>3,463</b>  | <b>3,983</b>  | <b>5,194</b>  | <b>6,038</b>  |
| Int. and Finance Charges            | 1,803         | 1,239         | 1,210         | 1,442         | 1,558         | 1,682         | 1,652         | 1,860         |
| Other Income                        | 1,087         | 669           | 503           | 337           | 346           | 398           | 248           | 433           |
| <b>PBT bef. EO Exp.</b>             | <b>-3,110</b> | <b>-1,099</b> | <b>1,493</b>  | <b>1,700</b>  | <b>2,251</b>  | <b>2,698</b>  | <b>3,789</b>  | <b>4,611</b>  |
| EO Items/Share of Associates        | -452          | 0             | 0             | -62           | -1,047        | (290)         | -             | -             |
| <b>PBT after EO Exp.</b>            | <b>-3,562</b> | <b>-1,099</b> | <b>1,493</b>  | <b>1,638</b>  | <b>1,204</b>  | <b>2,408</b>  | <b>3,789</b>  | <b>4,611</b>  |
| Total Tax                           | 419           | -58           | 401           | 573           | 860           | 770           | 955           | 1,162         |
| Tax Rate (%)                        | -11.8         | 5.3           | 26.8          | 34.9          | 71.4          | 32.0          | 25.2          | 25.2          |
| <b>Reported PAT</b>                 | <b>-3,980</b> | <b>-1,041</b> | <b>1,093</b>  | <b>1,066</b>  | <b>344</b>    | <b>1,638</b>  | <b>2,834</b>  | <b>3,449</b>  |
| <b>PAT (after Minority)</b>         | <b>-4,399</b> | <b>-983</b>   | <b>692</b>    | <b>501</b>    | <b>-356</b>   | <b>1,011</b>  | <b>1,853</b>  | <b>2,390</b>  |
| Change (%)                          | 55.7          | -77.7         | -170.4        | -27.6         | -171.0        | -384.1        | 83.3          | 29.0          |
| Margin (%)                          | -23.0         | -3.2          | 1.7           | 1.2           | -0.8          | 1.9           | 3.1           | 3.6           |

### Consolidated – Balance sheet

| Y/E March                           | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | FY28E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 424           | 530           | 531           | 532           | 533           | 533           | 533           | 533           |
| Minority Interest                   | 694           | 1,002         | 1,826         | 1,891         | 2,074         | 2,358         | 2,248         | 2,436         |
| Total Reserves                      | 4,796         | 6,973         | 8,565         | 9,501         | 9,038         | 9,745         | 11,042        | 12,715        |
| <b>Net Worth</b>                    | <b>5,914</b>  | <b>8,504</b>  | <b>10,922</b> | <b>11,924</b> | <b>11,645</b> | <b>12,636</b> | <b>13,824</b> | <b>15,684</b> |
| Total Loans                         | 9,034         | 4,607         | 5,569         | 4,463         | 3,896         | 3,208         | 3,616         | 4,054         |
| Lease Liability                     | 8,119         | 4,560         | 6,673         | 6,818         | 7,672         | 9,771         | 12,565        | 14,444        |
| Other long Term Liabilities         | 2,304         | 2,535         | 1,376         | 1,480         | 1,417         | 1,417         | 1,417         | 1,417         |
| <b>Capital Employed</b>             | <b>25,370</b> | <b>20,207</b> | <b>24,540</b> | <b>24,684</b> | <b>24,629</b> | <b>27,032</b> | <b>31,421</b> | <b>35,599</b> |
| Gross Block                         | 8,751         | 5,160         | 5,354         | 5,154         | 5,941         | 6,841         | 7,841         | 8,941         |
| Less: Accum. Deprn.                 | <b>5,646</b>  | <b>2,914</b>  | <b>3,191</b>  | <b>2,800</b>  | <b>3,149</b>  | <b>3,870</b>  | <b>4,641</b>  | <b>5,522</b>  |
| <b>Net Fixed Assets</b>             | <b>3,105</b>  | <b>2,245</b>  | <b>2,163</b>  | <b>2,353</b>  | <b>2,791</b>  | <b>2,970</b>  | <b>3,200</b>  | <b>3,419</b>  |
| Right to use Assets                 | <b>6,645</b>  | <b>3,879</b>  | <b>6,080</b>  | <b>6,252</b>  | <b>6,920</b>  | <b>7,524</b>  | <b>8,153</b>  | <b>7,574</b>  |
| Capital WIP                         | 4             | 0             | 21            | 39            | 11            | 11            | 11            | 11            |
| <b>Total Investments</b>            | <b>6,699</b>  | <b>6,145</b>  | <b>5,686</b>  | <b>5,553</b>  | <b>4,076</b>  | <b>4,076</b>  | <b>4,076</b>  | <b>4,076</b>  |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>20,559</b> | <b>20,360</b> | <b>22,771</b> | <b>21,872</b> | <b>24,293</b> | <b>26,093</b> | <b>31,439</b> | <b>37,735</b> |
| Inventory                           | 8,796         | 8,308         | 9,819         | 9,094         | 10,801        | 11,269        | 12,704        | 14,240        |
| Account Receivables                 | 6,553         | 5,717         | 5,595         | 6,468         | 7,294         | 7,898         | 8,949         | 9,966         |
| Cash and Bank Balance               | 189           | 1,050         | 2,003         | 1,680         | 1,647         | 1,741         | 3,912         | 6,989         |
| Loans and Advances                  | 5,022         | 5,285         | 5,353         | 4,630         | 4,551         | 5,185         | 5,873         | 6,539         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>11,642</b> | <b>12,422</b> | <b>12,180</b> | <b>11,385</b> | <b>13,462</b> | <b>13,642</b> | <b>15,458</b> | <b>17,215</b> |
| Account Payables                    | 9,598         | 10,479        | 10,195        | 9,363         | 11,720        | 11,488        | 13,017        | 14,497        |
| Other Current Liabilities           | 2,044         | 1,943         | 1,985         | 2,022         | 1,743         | 2,154         | 2,441         | 2,718         |
| <b>Net Current Assets</b>           | <b>8,917</b>  | <b>7,937</b>  | <b>10,591</b> | <b>10,487</b> | <b>10,830</b> | <b>12,451</b> | <b>15,981</b> | <b>20,520</b> |
| <b>Appl. of Funds</b>               | <b>25,370</b> | <b>20,207</b> | <b>24,540</b> | <b>24,684</b> | <b>24,629</b> | <b>27,033</b> | <b>31,422</b> | <b>35,600</b> |

## Financials and valuations

### Ratios

| Y/E March                     | FY21         | FY22        | FY23       | FY24       | FY25        | FY26E      | FY27E       | FY28E       |
|-------------------------------|--------------|-------------|------------|------------|-------------|------------|-------------|-------------|
| <b>Basic (INR)</b>            |              |             |            |            |             |            |             |             |
| <b>EPS</b>                    | <b>-33.0</b> | <b>-7.4</b> | <b>5.2</b> | <b>3.8</b> | <b>-2.7</b> | <b>7.6</b> | <b>13.9</b> | <b>17.9</b> |
| Cash EPS                      | -19.0        | 10.2        | 20.5       | 21.1       | 16.6        | 29.3       | 37.6        | 44.3        |
| BV/Share                      | 55.8         | 64.2        | 82.2       | 89.7       | 87.6        | 95.0       | 104.0       | 117.9       |
| DPS                           | 0.0          | 0.0         | 1.0        | 1.3        | 1.6         | 2.3        | 4.2         | 5.4         |
| Payout (%)                    | 0.0          | 0.0         | 12.2       | 15.6       | 62.0        | 18.5       | 19.6        | 20.8        |
| <b>Valuation (x)</b>          |              |             |            |            |             |            |             |             |
| P/E                           | -3.7         | -29.6       | 57.4       | 97.1       | -186.4      | 59.6       | 32.5        | 25.2        |
| Cash P/E                      | -6.4         | 21.4        | 14.5       | 17.3       | 30.0        | 15.4       | 12.0        | 10.2        |
| P/BV                          | 2.2          | 3.4         | 3.6        | 4.1        | 5.7         | 4.8        | 4.3         | 3.8         |
| EV/Sales                      | 1.1          | 1.1         | 1.1        | 1.2        | 1.5         | 1.2        | 1.0         | 0.9         |
| EV/EBITDA                     | -1,366.4     | 18.0        | 10.2       | 10.1       | 11.4        | 9.0        | 7.2         | 6.0         |
| Dividend Yield (%)            | 0.0          | 0.0         | 0.3        | 0.3        | 0.3         | 0.5        | 0.9         | 1.2         |
| FCF per share                 | 26.8         | 40.0        | 25.1       | 30.1       | 31.1        | 25.4       | 37.7        | 43.6        |
| <b>Return Ratios (%)</b>      |              |             |            |            |             |            |             |             |
| RoE                           | -68.8        | -13.6       | 7.1        | 4.4        | -3.0        | 8.3        | 14.0        | 16.2        |
| RoCE                          | -13.9        | -0.7        | 13.3       | 16.7       | 17.8        | 21.0       | 29.3        | 32.2        |
| RoIC                          | -7.5         | -0.5        | 8.6        | 10.7       | 12.2        | 15.8       | 24.9        | 30.2        |
| <b>Working Capital Ratios</b> |              |             |            |            |             |            |             |             |
| Fixed Asset Turnover (x)      | 2.2          | 5.9         | 7.6        | 8.3        | 7.8         | 7.7        | 7.6         | 7.4         |
| Asset Turnover (x)            | 0.8          | 1.5         | 1.7        | 1.7        | 1.9         | 1.9        | 1.9         | 1.9         |
| Inventory (Days)              | 168          | 99          | 88         | 78         | 85          | 78         | 78          | 79          |
| Debtor (Days)                 | 125          | 68          | 50         | 55         | 58          | 55         | 55          | 55          |
| Creditor (Days)               | 183          | 125         | 91         | 80         | 93          | 80         | 80          | 80          |
| <b>Leverage Ratio (x)</b>     |              |             |            |            |             |            |             |             |
| Current Ratio                 | 1.8          | 1.6         | 1.9        | 1.9        | 1.8         | 1.9        | 2.0         | 2.2         |
| Interest Cover Ratio          | -1.3         | -0.4        | 1.8        | 1.9        | 2.2         | 2.4        | 3.1         | 3.2         |
| Net Debt/Equity               | 1.5          | 0.4         | 0.3        | 0.2        | 0.2         | 0.1        | 0.0         | -0.2        |

### Consolidated - Cash Flow Statement

| Y/E March                        | FY21         | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | FY28E         |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax             | (3,562)      | (1,099)       | 1,493         | 1,638         | 2,251         | 2,408         | 3,789         | 4,611         |
| Depreciation                     | 3,341        | 2,609         | 2,387         | 2,492         | 2,557         | 2,885         | 3,151         | 3,499         |
| Interest & Finance Charges       | 2,357        | 1,369         | 1,384         | 1,519         | 1,558         | 1,682         | 1,652         | 1,860         |
| Direct Taxes Paid                | 112          | (118)         | (433)         | (627)         | (433)         | (770)         | (955)         | (1,162)       |
| (Inc)/Dec in WC                  | 1,078        | 2,435         | (955)         | (31)          | (613)         | (1,527)       | (1,359)       | (1,462)       |
| <b>CF from Operations</b>        | <b>3,326</b> | <b>5,197</b>  | <b>3,876</b>  | <b>4,992</b>  | <b>5,320</b>  | <b>4,678</b>  | <b>6,279</b>  | <b>7,346</b>  |
| Others                           | (24)         | (70)          | (157)         | (163)         | (215)         | (398)         | (248)         | (433)         |
| <b>CF from Operating incl EO</b> | <b>3,302</b> | <b>5,127</b>  | <b>3,719</b>  | <b>4,829</b>  | <b>5,105</b>  | <b>4,280</b>  | <b>6,031</b>  | <b>6,914</b>  |
| (Inc)/Dec in FA                  | (464)        | 166           | (380)         | (823)         | (958)         | (900)         | (1,000)       | (1,100)       |
| <b>Free Cash Flow</b>            | <b>2,838</b> | <b>5,293</b>  | <b>3,339</b>  | <b>4,006</b>  | <b>4,147</b>  | <b>3,380</b>  | <b>5,031</b>  | <b>5,814</b>  |
| (Pur)/Sale of Investments        | 24           | 70            | 140           | 1,102         | -             | 398           | 248           | 433           |
| Others                           | -48          | -321          | -65           | 18            | 160           | -             | -             | -             |
| <b>CF from Investments</b>       | <b>-488</b>  | <b>-85</b>    | <b>-305</b>   | <b>297</b>    | <b>-798</b>   | <b>-502</b>   | <b>-752</b>   | <b>-667</b>   |
| Issue of Shares                  | 4,993        | 4,948         | 54            | 23            | 53            | -             | -             | -             |
| Inc/(Dec) in Debt                | -2,990       | -4,413        | 959           | -1,316        | -761          | -687          | 408           | 439           |
| Interest Paid                    | -3,211       | -1,371        | -1,438        | -1,417        | -1,566        | -1,682        | -1,652        | -1,860        |
| Dividend Paid                    | 0            | 0             | 0             | -133          | -167          | -303          | -556          | -717          |
| Others                           | 2,336        | -1,256        | -1,552        | -2,070        | -2,119        | -1,011        | -1,307        | -1,031        |
| <b>CF from Fin. Activity</b>     | <b>1,128</b> | <b>-2,092</b> | <b>-1,977</b> | <b>-4,912</b> | <b>-4,560</b> | <b>-3,684</b> | <b>-3,108</b> | <b>-3,169</b> |
| <b>Inc/Dec of Cash</b>           | <b>3,942</b> | <b>2,950</b>  | <b>1,438</b>  | <b>214</b>    | <b>-253</b>   | <b>93</b>     | <b>2,171</b>  | <b>3,077</b>  |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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